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Capital master plan

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the eighth annual progress report of the Secretary-General on the implementation of the capital master plan (A/65/511) and his report on proposals for financing the associated costs for 2011 from within the approved budget for the capital master plan (A/65/511/Add.1). The two reports were submitted pursuant to General Assembly resolutions 57/292 and 64/228, respectively. The Committee also had before it the report of the Board of Auditors on the capital master plan for the year ended 31 December 2009 (A/65/5 (Vol. V)) and the related report of the Secretary-General on the implementation of the recommendations of the Board (A/65/296).

2. During its consideration of the above-mentioned reports, the Advisory Committee met with the Executive Director of the capital master plan project and other representatives of the Secretary-General, as well as with members of the Board of Auditors, who provided additional information and clarification.

II. Eighth annual progress report on the implementation of the capital master plan

3. In the eighth annual progress report of the Secretary-General on the implementation of the capital master plan (A/65/511), it was noted that significant progress had been achieved over the previous year, including the relocation of United Nations staff members to off-site and on-site swing spaces; the completion and inauguration of the North Lawn Building; the commencement of construction in and the construction of hoists on the Secretariat and Conference Buildings; the temporary relocation of the Security Council; the completion of the majority of the

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work required in the basements; the awarding of guaranteed maximum price contracts for additional aspects of the project; and the development and approval of documents and plans for the re-occupancy of the Secretariat upon the completion of the project.

4. The Advisory Committee notes that the Advisory Board for the Capital Master Plan was established in 2009 and that it convened two sessions, in May and September 2010. Upon enquiry, the Committee was provided with information on the membership and terms of reference, as well as the summary records, of the meetings of the Advisory Board during those sessions. Among other issues, the Committee was informed that, at its second meeting, in September 2010, the Board had reviewed and unanimously endorsed the proposed reconfiguration, or "flip design" of the Conference Building. **The Committee requests that information on the activities of the Board be provided on a routine basis to the General Assembly in the context of future progress reports on the capital master plan.**

5. Concerning safety and security, over the past year a number of studies have confirmed that the designs for the Secretariat, Conference and General Assembly Buildings are acceptable to the Department of Safety and Security, although in the eighth annual progress report it was noted that further studies were under way to define additional steps in connection with the perimeter of the compound. It was also noted that the capital master plan would include a number of upgrades designed to improve the security of the Headquarters compound and of the delegates, staff and visitors working at or visiting the premises (see A/65/511, paras. 75-78).

6. The Advisory Committee was informed that, based on the advice of the host country, areas of the perimeter of the United Nations Headquarters premises would require better protection from vehicle-borne threats. Furthermore, the Office of the Capital Master Plan has developed a revised concept, constituting a scope change, for the enhanced protection of the occupants of the Conference Building. It has been estimated that the costs in connection with these security enhancements would amount to approximately $100 million, composed of $30 million for perimeter-related work and $70 million for the envisaged scope change. The Committee was also informed that ways to cover the envisaged additional costs are being explored with the host country. Furthermore, while the Office of the Capital Master Plan was proceeding with construction activities in the Conference Building that would not be affected by the security redesign, work was not continuing in areas that may require alteration should the new design be approved. The Committee was informed that the additional structural work related to the design and construction of security installations would delay the anticipated completion date of the General Assembly Building from late 2013 to 2014.

7. **While taking into consideration, on a case-by-case basis, unavoidable changes throughout the project implementation phase, the Advisory Committee emphasizes that every effort should be made to ensure that project schedules are adhered to so as to minimize potentially costly slippage. The Committee requests that the most up-to-date details of the envisaged security-related design changes, as well as information on the overall impact such changes would have on the project schedule, be provided to the General Assembly at the time of its consideration of the present report.**

8. In his report, the Secretary-General, inter alia, provided an update on the policy for seeking donations for the capital master plan (A/65/511, paras. 87-89).

The Secretary-General indicated that, taking into account the relevant provisions of General Assembly resolution 63/270, the donations policy was subsequently amended. It was also stated that a number of Member States are interested in participating in the donations programme and that discussions are ongoing to conclude necessary agreements to that effect. **The Advisory Committee appreciates the willingness of the Member States to provide donations for the capital master plan project. Furthermore, the Advisory Committee also encourages the Secretary-General to solicit private donations, where appropriate.**

9. In the context of its consideration of the first performance report on the programme budget for the biennium 2010-2011 (A/65/589), the Advisory Committee noted that the revised income estimates for that biennium amounted to $580.6 million, representing an increase of $26.2 million (4.7 per cent). While increases were reported under income section 1, Income from staff assessment, and under income section 2, General income, a decrease in the amount of $4,368,600 was estimated under income section 3, Services to the public, attributable to the absence of revenue from the catering operation and lower sales of philatelic items as a result of venue closures during the capital master plan construction phase. In that connection, the Committee was informed that, regarding the impact of the capital master plan, discussions were under way to find ways to allow visitors to gain access to the General Assembly Hall during the construction phase, which is now scheduled to begin in 2012 (see A/65/604, paras. 20 and 21). **The Advisory Committee encourages that appropriate measures be taken to mitigate any losses resulting from the capital master plan project.**

10. In paragraphs 21 to 27 below, the Advisory Committee provides further comments with regard to cost overruns, procurement-related issues and value engineering measures in connection with the issues raised in the report of the Board of Auditors.

III. Report of the Secretary-General on proposals for financing associated costs for 2011 from within the approved budget for the capital master plan

11. In his report on proposals for financing associated costs for 2011 from within the approved budget for the capital master plan (A/65/511/Add.1), the Secretary-General provided an update on the status of activities associated with the capital master plan project, including the historical expenditure pattern for previous financial cycles, current forecasts of resource requirements for 2010 and estimates of requirements for 2011 and until the completion of the project. In response to the issue of governance previously raised by the Advisory Committee, as well as by the General Assembly in its resolution 64/228, the report also states that a steering committee was established in early 2010 to deal with coordination matters.

12. With respect to the resource requirements for 2010, the Advisory Committee recalls that, in its resolution 64/228, the General Assembly requested the Secretary-General: (a) to absorb approximately $11.6 million for the biennium 2010-2011 from within the approved budget for the capital master plan; (b) to make every effort to absorb the associated costs for 2010 from within the overall budget approved for the capital master plan in a total amount of approximately $42 million

(net); and (c) to submit to the Assembly, for its decision at the main part of its sixty-fifth session, in the context of the eighth annual progress report, proposals for financing the associated costs required for the year 2011 from within the approved budget of the capital master plan (sect. II, para. 3, and sect. III, paras. 8 and 9).

13. Upon enquiry, the Advisory Committee was provided with information on the actual and expected expenditure in connection with the capital master plan and its associated activities and for the secondary data centre as at 31 October 2010 (see table below).

Actual and expected expenditures in connection with the capital master plan, its associated activities and the secondary data centre as at 31 October 2010

(United States dollars)

				Expenditure			
Biennium	*Appropriation*	*Assessed contribution*	*Fund balance, beginning of period*	*Capital master plan*	*Associated costs*	*Secondary data centre*	*Fund balance, end of period*
2000-2001	—	8 000 000	8 000 000	7 977 900	—	—	22 100
2002-2003	25 500 000	25 500 000	25 522 100	3 205 500	—	—	22 316 600
2004-2005	17 802 000	17 802 000	40 118 600	21 337 100	—	—	18 781 500
2006-2007	150 698 000	461 541 649	480 323 149	81 397 500	—	—	398 925 649
2008-2009	992 800 000	681 928 170	1 080 853 819	809 959 100	18 373 200	4 178 780	248 342 739
2010-2011	689 900 000	681 928 181[a]	930 270 920	753 714 000	125 840 200	12 562 630	38 154 090
2012-2013	—	—	38 154 090	199 108 900	18 272 000	—	(179 226 810)
Total	**1 876 700 000**	**1 876 700 000**	**—**	**1 876 700 000**	**162 485 400**	**16 741 410**	**—**

[a] Includes an estimate of the 2011 assessment yet to be assessed.

14. As indicated in the report of the Secretary-General, the available funding for 2010 amounted to almost $54 million, including the $11.9 million carried forward from the biennium 2008-2009. As at 31 August 2010, total expenditure for 2010 amounted to $9.9 million and the projected unspent balance amounted to $39.1 million, to be carried over to 2011 (see A/65/511/Add.1, paras. 30, 44 and 45, and table 4). On the basis of those projections, the requirements related to associated costs would amount to $110.9 million in 2010 (for details on the amounts required by each department, see paras. 46-59 of the report). The Advisory Committee notes that the General Assembly, in its decision 65/543, authorized the rollover into 2011 of the unspent balance of the funding for associated costs approved in 2010. **The Committee requests that an updated summary of expenditures and revised requirements for 2010 be provided to the Assembly at the time of its consideration of the present report.**

15. Upon enquiry, the Advisory Committee was informed that, considering that the expenditures in connection with the capital master plan and associated costs would reach a substantial level in 2011, the continued cash drawdown on the approved budget of the capital master plan would have an adverse effect on cash flow beginning in 2012. In the eighth annual progress report, it was indicated that, with 75 per cent of the capital master plan commitments already bought and locked in, the projected cost was $1,956.8 million, with a budget deficit of $80.1 million,

representing a reduction of $11.3 million from the previous year (A/65/511, para. 92). **The Advisory Committee has some concern that there may be difficulty in absorbing the associated costs in the approved budget of the capital master plan, as mandated by the General Assembly in its resolution 64/228, and notes the anticipated cash flow problem over the long term. In the view of the Committee, the situation needs to be addressed in a timely manner, without eventually placing an additional financial burden on the Member States. The Committee accordingly recommends that the Assembly request the Secretary-General to make proposals, by no later than the second quarter of 2011, on how best to deal with the associated costs, including through improved cost-efficiency measures.**

16. The Advisory Committee notes that, for 2011, other major cost drivers include the procurement of a permanent broadcast facility and media asset management system. An amount of $65.6 million would also be required for audio-visual broadcast equipment and for work related to radio communications systems ($10.4 million) and for furniture ($55.2 million) (A/65/511/Add.1, para. 56 (d)).

17. Upon enquiry, the Advisory Committee was provided with a detailed list of the furniture requirements for the capital master plan project (see annex I). With regard to whether anticipated changes in the staffing complement were considered in calculating the cost of furniture, the Committee was informed, upon enquiry, that the calculations were made on the basis of only those costs provided for under the capital master plan project, assuming that upon the return of staff to the existing buildings every seat would be occupied. Furthermore, the capital master plan's furniture contracts would allow for furniture to be purchased in the future.

18. Regarding the plans to reuse the modular furniture in the North Lawn Building, the Advisory Committee was informed that the building would continue to be occupied during the renovation of the General Assembly Building, which is scheduled to continue after the Secretariat Building has been reoccupied. While furniture from the North Lawn Building would not be available for re-use in the Secretariat Building, it would be available for use in the General Assembly Building or in other spaces. The Committee notes that 100 per cent of certain furniture items are planned to be reused and have been budgeted accordingly (see annex I). **The Committee expects that every effort will be made to ensure that furniture in good condition is reused and that the Secretary-General, as requested by the General Assembly in its resolution 64/228, will ensure that the procurement process is in full compliance with the Financial Regulations and Rules of the United Nations.**

19. The resource requirements for the Office of Central Support Services for 2011 are projected at $70,075,700. In particular, the Secretary-General noted that it had become evident that more coordination was needed, including to ensure the efficient handover of the refurbished buildings, and that it was important for the Facilities Management Service to be involved in the commissioning process to safeguard its objective, the long-term maintenance of an efficient and safe facility (ibid., paras. 53-56). The Advisory Committee notes in this context that resource provisions for general temporary assistance positions (2 P-4, 2 General Service and 1 Trades and Crafts) are proposed to augment existing capacity. **The Committee does not object to the need for the additional general temporary assistance positions (2 P-4, 2 General Service and 1 Trades and Crafts) at this time and notes that further**

requirements will be considered in the context of the next annual progress report on the implementation of the capital master plan.

20. The Secretary-General proposed estimated resources in the amount of $7,439,500 for the Department of Safety and Security for 2011, including an amount of $7,045,000 for general temporary assistance positions to provide for 22 proposed new security officers and the continuation of the 58 existing positions (A/65/511/Add.1, para. 59 (a)). The Secretary-General noted that the Department had conducted a review that had resulted in the consolidation of certain functions and the redeployment of approximately 20 officer posts funded under the regular budget to functions related to the capital master plan. It is expected that by 2011 the capital master plan project will reach its maximum construction phase, with approximately 2,000 contractors and between 100 and 150 trucks requiring access to the complex on a round-the-clock basis and further security screenings under a three-shift arrangement. In addition, an average of 3,335 people, including visitors, members of agencies, funds and programmes and non-resident correspondents at Headquarters would need to be screened. **The Advisory Committee does not object to these additional temporary security officer positions for the duration of the capital master plan project.**

IV. Report of the Board of Auditors on the capital master plan for the year ended 31 December 2009

21. In its report on the capital master plan for the year ended 31 December 2008 (A/64/5 (Vol. V)), the Board of Auditors had issued 17 main recommendations, 9 of which had been fully implemented, 7 of which were under implementation and 1 of which had not been implemented. The Advisory Committee notes that for 2009, the Board issued a total of 19 recommendations, including the reiteration of 8 recommendations from its previous audit which had not yet been implemented at the time of the most recent audit (see A/65/5 (Vol. V), paras. 9 and 10). Information on the measures taken or to be taken to implement the Board's new and reiterated recommendations, the lead department, the level of priority accorded to each recommendation and, where applicable, target timelines for implementation is presented in the report of the Secretary-General (A/65/296, paras. 226-276).

22. The Board of Auditors observed that, as at the time of the audit, the cost estimate for the capital master plan project amounted to $1.971 billion, representing an overrun of approximately $95.2 million (5.1 per cent) above the approved budget of $1.876 billion. The Advisory Committee notes that the Secretary-General indicated that as at September 2010, the cost estimate to complete the project stood at $1.957 billion, representing a reduction in the cost overrun by approximately $80.1 million (4 per cent) (A/65/511, para. 94 and table 2.B).

23. The Board of Auditors also noted the efforts to reduce costs, in particular the identification of savings through the value engineering programme. The Board, however, indicated that it was unable to identify the actual results of the programme since details were not provided on the measures undertaken and the resulting savings. In response to the Board's recommendation that the merits of the value engineering programme be reassessed, the Administration stated that it would take into account anticipated costs and benefits when conducting any additional extensive value engineering exercise (A/65/296, paras. 238 and 239). Upon enquiry, the Advisory

Committee was provided with an itemized list of value engineering items, totalling approximately $36 million (see annex II).

24. **The Advisory Committee shares the concern expressed by the Board with regard to the continued cost overruns for the resources approved for the capital master plan project, while also noting the reduction in the projected deficit, as indicated in the report of the Secretary-General (A/65/511, para. 94). The Committee expects that further efforts will be made to achieve savings in all areas in order to ensure that the capital master plan project does not exceed the most recent estimates submitted to the General Assembly (see also resolution 64/228).**

25. The Board of Auditors further emphasized issues of procurement and contract management, which are in need of continued improvement. In relation to the adaptation of United Nations procurement procedures for contract amendments for the needs of the capital master plan, the Board observed that some amendments represented significant amounts without any direct linkage to the initial scope of services contained in the original contracts. The Advisory Committee was informed, upon enquiry, that while the post-award review committee, which, among other things, is responsible for the examination of contract amendments and ensuring compliance with financial rules and procurement procedures, was not yet fully functional as at the time of the audit review, it has been operational since April 2010. The review committee was previously planned to be operational in October 2009. **The Advisory Committee welcomes the establishment of the review committee. At the same time, however, the Committee concurs with the Board that the procedures for contract amendments and the management of files for the amendments are in need of improvement. It expects that the post-award review committee will actively seek to implement the Board's recommendation.**

26. Concerning the project's work schedule, the Board observed that, with the occupation of the temporary space in the North Lawn Building during late 2009 and early 2010, the project had reached a noteworthy stage of progress. While the relocation of more than 5,000 United Nations staff to the space and other temporary offices created some challenges, these were successfully resolved. In addition, a temporary site for the Security Council was identified, and the Council was transferred as planned at the end of March 2010, and after which work in the Conference Building was started. The Advisory Committee notes that renovation of the Headquarters is now scheduled for completion in late 2013 (see A/65/511, table 1).

27. With regard to the recommendation of the Board of Auditors that the Administration should continue to consider ways to mitigate delays, the Advisory Committee was informed upon enquiry that the impact on the planned overall end date of the capital master plan project had been mitigated and that the project end date, in 2013, remained unchanged. Nonetheless, the Committee was also informed that new security-related design work would likely delay the completion of the General Assembly Building until 2014 (see paras. 5-7 above). **The Committee underlines the importance of meeting the envisaged time frame for the completion of the project.**

V. Conclusion and recommendations

28. The actions requested of the General Assembly in relation to the eighth progress report on the capital master plan are set out in document A/65/511, paragraph 114, and the actions requested of the Assembly concerning proposals for financing the costs associated with the capital master plan are set out in document A/65/511/Add.1, paragraph 63.

29. **Taking into account the views and recommendations expressed in the present report and issues raised by the Board of Auditors, the Advisory Committee recommends that the General Assembly take note of the progress made since the issuance of the seventh annual progress report and that the Secretary-General be requested to continue reporting on the status, the schedule, the projected cost to complete the project, the status of contributions and the working capital reserve. The Committee also recommends that the Assembly: (a) take note of the progress cited in the report of the Secretary-General on proposals for financing associated costs (A/65/511/Add.1); (b) note that the associated costs for 2011 amount to $110,977,900; (c) approve a net amount of $71,871,305 for 2011; and (d) approve the continued funding of the associated costs from within the approved budget of the capital master plan.**

Annex I

Furniture requirements in connection with the capital master plan: Secretariat, Conference and General Assembly Buildings, including basements

			Budget estimate per Unit	*Subtotals*
	Type	*Quantity*	*(United States dollars)*	
Office furniture				
Open office furniture systems, all buildings	Professional	1 307	6 760	8 835 320
	General Service	1 816	5 067	9 201 672
	Touchdown	587	2 500	1 467 500
		3 710	—	**19 504 492**
Director, Assistant Secretary-General and Under-Secretary-General, all buildings	Reused	**150**	**3 000**	**450 000**
Professional and General Service chairs, all buildings	Professional	1 307	750	980 250
	General Service	1 886	750	1 414 500
	Touchdown	587	500	293 500
	Focus booth	94	500	47 000
		3 874	—	**2 735 250**
Professional guest chairs, all buildings		**2 614**	**1 000**	**2 614 000**
Filing cabinets, all buildings	36 inches high	4 414	1 000	4 414 000
	High density per square foot	5 391	250	1 347 750
		—	—	**5 761 750**
Bookcases for Professionals and above, all buildings	Cost included in private office and open workstation figures			
All buildings, informal meeting areas, lounge areas, meeting rooms	Open meeting areas	116	3 000	348 000
	Large meeting room	8	26 000	208 000
	Medium meeting room	117	13 000	1 521 000
	Small meeting room	118	3 000	354 000
		359	—	**2 431 000**
Accessories, all buildings	Keyboard trays, task lighting			**1 826 750**
Subtotal, office furniture				**35 323 242**
Miscellaneous furniture				
Reserved conferencing, Secretariat Building, 15th and 27th floors	Tables, offices, chairs, filing, workstations, miscellaneous			**1 252 000**

	Type	Quantity	Budget estimate per Unit (United States dollars)	Subtotals
Conference building furniture (conference rooms)	Delegate chairs	1 231	2 000	2 462 000
	Interpreter chairs	268	1 000	268 000
	Secretariat chairs	66	800	52 800
		1 565	—	**2 782 800**
General Assembly Building furniture (conference rooms)	Delegate chairs	1 168	2 000	2 336 000
	Interpreter chairs	214	1 000	214 000
	Secretariat chairs	47	800	37 600
		1 429	—	**2 587 600**
Seating for visitors' lobbies and lounges, all buildings	Reception area	73	10 000	730 000
	Armchairs	59	2 500	147 500
	Benches	89	3 000	267 000
	Sofas	6	3 000	18 000
	Barcelona chairs	12	7 500	90 000
		239	—	**1 252 500**
Refurbishment of historic furniture for the General Assembly and Conference Buildings				**1 911 541**
Other	Coat trees	767	100	76 700
	Dining tables	301	1 500	451 500
	Dining chairs	1 030	500	515 000
	Classroom chairs	75	500	37 500
	Miscellaneous tables	215	1 000	215 000
	Side chairs	339	500	169 500
	Lockers	614	300	184 200
		2 727	—	**1 649 400**
Subtotal, miscellaneous furniture				**11 435 841**
Furniture delivery, management and design				**3 500 000**
Total				**50 259 083**
Plus 10 per cent contingency				**5 025 908**
Total, including contingency				**55 284 991**
Estimated grand total				**55 192 000**

Annex II

List of value engineering items

1. **Secretariat Building**

$500,000: "bead blasting" to remove floor mastic containing asbestos rather than chemical stripping method

$150,000: deletion of redundant emergency lighting relay control system and branch circuitry

$720,000: eliminate painting of piping

$1 million to $2 million: final cleaning by United Nations rather than the construction manager

$180,000: reuse chilled water riser

$300,000: use lightweight conduit above 8 feet in mechanical rooms and exposed locations

$320,000: reduced duct liner scope

$1.5 million: use of tarp system for water protection during construction (when curtain wall open)

$500,000: patching existing roof in lieu of new roof

$200,000: new toilet room wall tile product, equally sustainable, lower cost

$650,000: revise construction manager procurement strategy for electrical contracting (allow two contractors)

$1.5 million: simplify duct support detail

Subtotal: $7.5 million to $8.5 million

2. **Conference Building**

$500,000: change structural system at interpretation booths

$500,000: eliminate task lighting at tables in conference rooms 1, 2 and 3 through more efficient overall lighting design

$100,000: reduce size of smoke purge fans

$550,000: combine hot water and steam coils into one coil to serve for preheating and reheating

$500,000: use waterside economizers on air-handling units in lieu of airside economizers

$600,000: replace and refurbish gallery seating rather than storing it

$185,000: eliminate painting of sprinkler piping; paint as required by code only

$150,000: simplify mechanical equipment room waterproofing system

Subtotal: $3 million

3. **Security systems**

   Subtotal: $2 million: reuse of existing equipment and devices and refinement of scope

4. **Audio/video systems**

   $600,000: eliminate some cameras

   $2.5 million or more: reuse videoconferencing systems from swing space

   Subtotal: $3.1 million

5. **Basements**

   $250,000: elimination of additional backflow preventers

   $1 million: retain existing sprinkler piping in good condition in parking garage, replace heads only

   $150,000: concrete block walls for corridors and mechanical rooms only

   $14 million: revised layout of occupied space to avoid separate blast-protection-related work

   $500,000: eliminate concrete encasement and related additional structure at electric tie-in between generators

   $1 million: reduction in redundant backbone copper cabling for telephones, as new phones are voice-over-IP

   $200,000: retain river water pumps; recent installation, good condition

   $400,000: new floor drainage design; avoids floor penetrations and excavation

   Subtotal: $17.5 million

6. **Campus-wide**

   Subtotal: $2 million: use time-clock lighting controls with occupancy sensors and override rather than centralized lighting control system

   Total: $35 million to $36 million